

**IN THE MATTER OF THE APPLICATION REGARDING CONVERSION  
OF PREMIERA BLUE CROSS AND ITS AFFILIATES**

Washington State Insurance Commissioner's Docket # G02-45

**PRE-FILED RESPONSIVE TESTIMONY OF:**

**Heyward Donigan**

Executive Vice President and Chief Marketing Officer  
Premiera Blue Cross

April 15, 2004

**CONFIDENTIAL and PROPRIETARY  
NOT FOR PUBLIC DISCLOSURE**

**Introduction of Witness**

**Q. Please state your name.**

A. Heyward Donigan.

**Q. Please identify your employer and state your title.**

A. I am employed by Premera Blue Cross as Executive Vice President and Chief Marketing Officer.

**Q. Are you the same Heyward Donigan who filed direct testimony on March 31, 2004, in this proceeding?**

A. Yes.

**Q. Have you read the pre-filed direct testimony filed in this matter by the witnesses of the Office of the Insurance Commissioner, the state consultants, and the interveners in this proceeding?**

A. I have read the prefiled testimony of those other witnesses that pertain to my testimony. In particular, I have focused on the testimony of Dr. Jeff Collins and Bob Perna on behalf of the Washington State Medical Association, and the testimony of C. Duane Dauner on behalf of the Washington State Hospital Association, all dated March 30, 2004.

**Premera's Benefit Designs**

**Q. In their pre-filed direct testimony, WSMA witnesses Collins and Perna and WSHA witness Dauner reference Premera's benefit designs. How does Premera determine which benefit designs to offer?**

A. Premera serves a wide variety of employers and individuals with different health care coverage needs. In order to provide the best service possible, Premera offers a broad, market responsive range of benefit designs that allows customers to choose the solution that best fits their distinct situation.

1 **Q. Dr. Collins specifically criticizes high-deductible products and Mr. Dauner**  
2 **criticizes consumer-directed plans. Why are these types of plans being**  
3 **offered by health insurers?**

4 A. As health care costs to employees continue to increase at double digit rates,  
5 employer groups are having difficulty absorbing the cost. In response to this market  
6 dynamic, employers have requested that insurers offer products that share a greater  
7 portion of the cost with their employees. Doing so provides a more affordable solution  
8 without jeopardizing continued coverage for their employees.

9 Premera, like other insurers, has responded to our customers' request by  
10 developing lower-cost solutions such as consumer-directed and high-deductible plans.  
11 When compared to traditional benefit designs, these plans offer employees choice,  
12 control over decisions related to their care, as well as the potential for lower premiums.  
13 As structured, these plans promote greater individual accountability and encourage  
14 members to be more cost conscious about their health care.

15 Not all employers are interested in these types of plans. Thus, Premera continues  
16 to offer a range of benefit designs to allow groups to choose the best option for their  
17 specific needs.

18 **Q. Would the conversion change the way Premera approaches its benefit**  
19 **designs?**

20 A. For Premera, the main driver of benefit design continues to be the changing needs  
21 of our customers and the marketplace. This is true whether Premera is a non-profit or  
22 for-profit company. For example, in response to a demand for more consumer-friendly  
23 plans, Premera introduced its Dimensions suite of products which offers customers the  
24 ability to tailor their coverage to their needs. It has also eliminated its strictly managed  
HMO products and focused on more open PPO models. More recently, in some of our

1 newest consumer-directed products to be introduced into the market shortly, we  
2 encourage preventative care by allowing six office visits and \$400 worth of diagnostic  
3 lab and x-ray coverage before the member is subject to deductible payment requirements.

4 **Q. Does this conclude your responsive testimony?**

5 **A.** Yes it does.  
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**VERIFICATION**

I, HEYWARD DONIGAN, declare under penalty of perjury of the laws of the  
State of Washington that the foregoing answers are true and correct.

Dated this \_\_\_\_ day of April, 2004, at Kohala Coast, Hawaii.

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/s/  
HEYWARD DONIGAN